WISCONSIN
BANKERS
ASSOCIATION

August 29, 2008

VIA EMAIL

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.,
Washington, DC 20551

Docket No. R-1321

RE: Proposed Revisions to Regulation C Rules Regarding Price Information on Higher-Priced Loans: Docket No. R-1321

Dear Ms. Johnson:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the state. WBA appreciates the opportunity to comment on the proposed revisions to the rules for reporting price information on higher-priced loans as required by Regulation C, which implements the Home Mortgage Disclosure Act (HMDA).

HMDA requires financial institutions to collect, report and disclose to the public data about originations and purchases of home mortgage loans (home purchase and refinancing) and home improvement loans, as well as applications that do not result in originations (for example, applications that are denied or withdrawn). Some of the data reported under Regulation C includes: (1) application date; (2) loan type, purpose, and amount; (3) property location and type; (4) race, ethnicity, sex, and annual income of the loan applicant; (5) action taken on the loan application, and the date of that action; (6) whether a loan is covered by the Home Ownership and Equity Protection Act (HOEPA); (7) lien status; and (8) loan pricing (rate spread).

FRB has proposed to revise provisions relating to the reporting of loan pricing information. More specifically, FRB has proposed the use of a new threshold to determine whether to report rate pricing information; revised the percentages used to determine whether a loan must be reported; and revised the date for selection of a comparable maturity. The proposed effective date is January 1, 2009. While WBA generally supports FRB's proposal, we strongly recommend FRB post-pone required compliance with any final amendments to Regulation C until January 1, 2010.

Proposal

Regulation C currently requires financial institutions to report the difference between a loan's annual percentage rate (APR) and the yield on Treasury securities of comparable maturity if that difference is 3.0 percentage points or more for a first-lien loan, or 5.0 percentage points

4721 South Biltmore Lane
Madison, WI 53718

P. O. Box 8880
Madison, WI 53708-8880

608-441-1200
Fax 608-661-9381

www.wisbank.com

or more for a subordinate-lien loan. If the rate spread for a particular loan is less than the applicable threshold, it is not reported. The Treasury yield used is as of the 15th day of a month most closely preceding the date the loan's interest rate was set by the institution for the final time before closing (rate lock date).

FRB has proposed a method for determining when price information is reported that is similar in concept to Regulation C's current method but different in the particulars. The proposal, like the current rule, would set a threshold above a market rate to trigger reporting; however; instead of using yields on Treasury securities of comparable maturity, a survey-based estimate of market rates for the lowest-risk prime mortgages for comparable types of transactions has been proposed. The new measure is referred to as the "average prime offer rate."

Under the proposal "average prime offer rate" would mean an APR derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics. FRB would derive average prime offer rates from survey data according to a methodology it will make publicly available, and would publish these rates in a table on the Internet on at least a weekly basis. The table would also indicate how to identify a comparable transaction. FRB has proposed to rely on the Primary Mortgage Market Survey (PMMS) as conducted by Freddie Mac for this purpose, rather than Treasury securities, citing numerous disadvantages the latter would present.

The PMMS contains weekly average rates and points offered by a representative sample of creditors to prime borrowers seeking a first-lien, conventional, conforming mortgage and who would have at least 20 percent equity. FRB stated it selected the PMMS as it is the only publicly available data source that has rates for more than one kind of fixed-rate mortgage and more than one kind of a variable-rate mortgage. Additionally, FRB has proposed to conduct its own survey if it would become appropriate or necessary to do so.

As proposed, if a loan's APR exceeds the average prime offer rate for a comparable transaction by 1.5 or more percentage points for a first-lien loan, or 3.5 or more percentage points for a subordinate-lien loan, the financial institution would report the difference. The institution would use the most recently available average prime offer rate as of the date on which the institution sets the rate for the final time before consummation. FRB has proposed this threshold of rate spread reporting to coincide with its recently finalized requirements under Regulation Z relating to "higher-priced mortgage loans." FRB stated it intended its proposed rate spread reporting threshold to cover the subprime market and generally exclude the prime market.

As noted earlier, Regulation C currently determines the threshold as of the 15th of the month before the rate is locked. FRB's proposal would instead require an institution to use the most recent average prime offer rate available as of the rate lock date. As the PMMS is updated weekly, FRB has proposed to also update the average prime offer rates weekly. FRB believes using a more current benchmark will improve reporting accuracy without increasing regulatory burden.

Lastly, FRB has proposed that any final amendments to Regulation C would take effect for data collection beginning January 1, 2009, because the recently finalized amendments to Regulation Z concerning higher-priced mortgage loans take effect on October 1, 2009. FRB believes the January 1, 2009 effective date would ensure that lenders would not need to maintain two separate systems for determining higher-priced mortgage loans during the final quarter of 2009.

Comments

WBA recognizes FRB's efforts to create consistency, when possible, between Regulations C and Z to provide financial institutions an opportunity to streamline collection, monitoring and reporting processes while still providing accurate data about loan originations, home improvements and applications which do not result in originations. WBA hopes FRB will continue in its efforts to further provide greater efficiency, less duplication, and more practical solutions to comply with other regulatory requirements.

WBA generally agrees with FRB's proposal to align Regulation C with Regulation Z by: using the average prime offer rate threshold, as set by data collected from Freddie Mac's PMMS, to replace the current Treasury securities threshold; and setting thresholds of 1.5 percentage points or more and 3.5 percentage points or more for first- and subordinate-lien loans, respectively, to determine whether a loan must be reported under HMDA's loan pricing requirement. WBA believes aligning Regulation C's price reporting requirement thresholds with Regulation Z's higher-price mortgage loans will provide financial institutions a streamlined monitoring and reporting process.

WBA, however, emphatically recommends FRB adopt an effective date of January 1, 2010 rather than January 1, 2009. More lead time is absolutely critical for institutions to properly program and test computers for accurate calculation of the new thresholds and percentages, and to adequately train staff for these changes. We do not believe the proposed January 1, 2009 effective date provides sufficient time to do so. While WBA understands that under any effective date there will be a limited period of time where reporting institutions will have to monitor dual systems, we believe that an effective date of January 1, 2010 poses the least burden for financial institutions.

Conclusion

WBA recognizes FRB's efforts to create consistency between regulations which provides financial institutions with an opportunity to streamline collection, monitoring and reporting processes. WBA hopes FRB will continue in its efforts to streamline, where possible, other regulatory requirements to further provide greater efficiency, less duplication, and more practical solutions to comply with such requirements. WBA generally agrees with FRB's proposal, however, we strongly recommend FRB post-pone required compliance with any final amendments to Regulation C until January 1, 2010.

Once again, WBA appreciates the opportunity to comment on FRB's proposed revisions to loan pricing reporting under Regulation C.

Sincerely,

Kurt R. Bauer
President/CEO